

# KENTUCKY ECONOMIC INDICATORS

June 2005 Indicators as of August 26, 2005

## **KY Composite Index of Leading Indicators increased 6.2 percent for June.**

- The Leading Index increased for the fourth time this year.
- The Leading Index rose by 1.4 percent over the same month last year.
- Component indicators were mostly positive, 4:1.
  - KY Labor Intensity Index decreased 1.7 percent.
  - + The US Leading Index increased 15.0 percent.
  - + The Index of KY Initial UI Claims increased 10.4 percent.
  - + US Retail Sales increased 22.4 percent.
  - + The Louisville Help Wanted Index increased by 82.2 percent.

*Component weights for June are 52.44, 19.81, 15.31, 10.68 and 1.77 respectively.*

## **KY Composite Index of Coincident Indicators increased 5.7 percent for June.**

- The Coincident Index was positive for the fifth consecutive month.
- Same-month-last-year growth is positive for the twenty-third consecutive month at 2.7 percent.
- Component indicators were all positive for June.
  - + KY Total Nonagricultural Employment increased 3.0 percent.
  - + US Industrial Production Index increased 10.1 percent.
  - + US Personal Income Less Transfers increased 6.5 percent.

*Component weights for June are 32.61, 29.80 and 26.72 respectively. Component weights do not sum to one because the two US components were discounted to allow the Kentucky component more weight.*

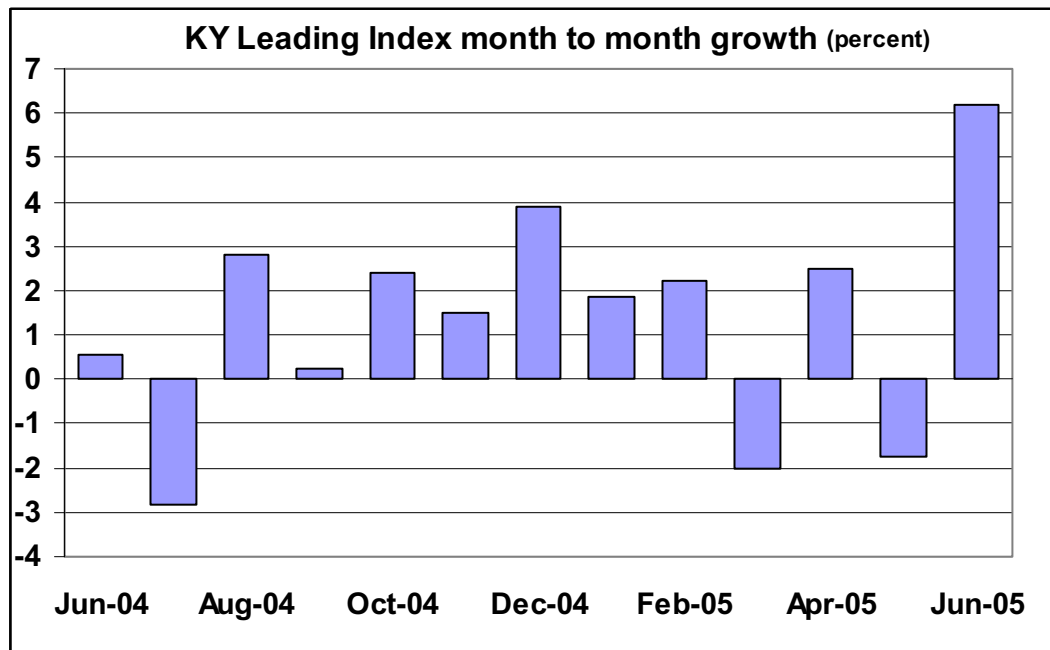
The Kentucky Leading Index increased substantially in June. The June increase is the third largest single month increase since the recession of 2001. Four of the five components showed solid growth this month. Only the Kentucky Labor Intensity Index declined.

Employment activity was mixed among the five manufacturing sectors of the Labor Intensity Index. Transportation Equipment and Rubber and Plastic Products employment showed small declines for June. Fabricated Metals employment remained unchanged. Chemical Products and Lumber and Wood Products rose slightly. The majority of the movement in the Labor Intensity Index was in the average weekly hours side of the equation. Average weekly hours for Fabricated Metals, Chemical Products and Lumber and Wood products fell by moderate to large amounts for June, while Transportation Equipment and Rubber and Plastic Products average weekly hours rose slightly.

The newly designed US Leading Index exhibited its highest growth in over two years. The Kentucky and US Leading Indices have both performed quite differently since the trough of the 2001 recession. The Kentucky Leading Index showed a small second downturn in early 2003 which hindered its recovery. Meanwhile, the US Leading Index had already surpassed its previous pre-recession peak and was increasing its growth over its 1990s growth trend. It has taken Kentucky nearly two additional years to surpass its 2001 peak and only now has regained its high growth similar to the 1990s growth trend.

Kentucky Nonagricultural Employment continues to do well. Kentucky has gained 31,500 positions since July 2004. That is almost the same amount that was lost in all of Manufacturing during the 2001 recession. Manufacturing Employment continues to struggle. After three consecutive months of moderate growth, 1,000 jobs were lost in June. The loss almost wiped out the combined gains of the previous three months.

Our indices are compiled and published on a monthly basis, roughly two weeks following the Conference Board release of the U.S. Leading Index. A complete description of the Index of Leading Indicators and methodology was published in the University of Kentucky Center for Business and Economic Research *Kentucky Annual Economic Report, 2000*.



#### About the Indicators

##### **Kentucky Reference Series**

Inflation-adjusted personal income less transfer payments and policy-adjusted general fund tax receipts are combined to form the GOEA composite reference series.

##### **Kentucky Leading Indicators**

- **GOEA Labor Intensity Index:** Composed of seasonally adjusted weekly hours multiplied by employment for the following manufacturing industries: Lumber products, chemical and allied products, rubber and plastic products, fabricated metals, and transportation equipment.
- **GOEA Initial Unemployment Insurance (UI) Claims Index:** This index has two components: Kentucky UI claims in their first month of payment and total U.S. initial claims. Additional claims for UI are the subset of initial claims filed by workers who have previously filed UI claims but are currently filing new claims with intermittent workforce attachment since their original claim. The claims in their first month of payment without intermittent qualified experience performed better in the testing process and were chosen accordingly.
- **Louisville Help-wanted Index:** The Conference Board computes an index of help-wanted advertisements for major regions across the United States; Louisville is the only city in Kentucky covered by the Conference Board.
- **U.S. Manufacturing and Trade Sales:** This series outperformed Kentucky sales tax receipts and U.S. total retail sales. Current manufacturing and trade sales help form the basis for business expectations for the immediate short run. Since production and investment do not occur instantaneously, the formation of expectations (manifested through current manufacturing and trade sales) should slightly lead the business cycle.
- **GOEA U.S. Leading Index:** We eliminated two variables, UI Claims and weekly hours, from the U.S. leading index since we already use the Kentucky equivalents. The remaining eight components of the U.S. leading index were tested, eliminating both the interest rate spread and the slower deliveries diffusion index of vendor performance. The remaining six components were then re-indexed by GOEA.

##### **Table Notes:**

- 1) Growth rates are computed with precise numbers. Due to rounding, two observations may have the same reported value but still exhibit growth at a more precise level.
- 2) More information is available on our website, [www.osbd.ky.gov](http://www.osbd.ky.gov)

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**SELECTED KENTUCKY ECONOMIC INDICATORS  
SEASONALLY ADJUSTED**

2004

2005

	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN
KY Leading Index (1992=100)	117.6	117.3	117.6	117.6	117.8	118.0	118.4	118.6	118.8	118.6	118.8	118.6	119.2
% Chg Previous Month SAAR	0.5	-2.8	2.8	0.3	2.4	1.5	3.9	1.8	2.2	-2.0	2.5	-1.7	6.2
% Chg Same Month Last Year	3.1	2.4	2.3	1.6	2.1	1.9	1.9	1.9	1.8	1.0	1.4	0.9	1.4
KY Coincident Index (1992=100)	130.2	130.5	130.8	130.7	131.4	131.6	133.5	132.2	132.5	132.7	132.8	133.0	133.6
% Chg Previous Month SAAR	-0.9	3.2	2.6	-1.0	6.7	2.2	18.0	-10.4	2.6	1.7	0.8	2.0	5.7
% Chg Same Month Last Year	2.2	2.3	2.5	2.2	2.5	2.2	3.4	2.4	2.2	2.4	2.1	2.1	2.7
KY Nonag Employment (000s)	1,796.5	1,789.7	1,796.7	1,798.6	1,801.0	1,800.7	1,802.7	1,802.4	1,803.6	1,807.1	1,815.1	1,816.7	1,821.2
% Chg Previous Month SAAR	2.0	-4.4	4.8	1.3	1.6	-0.2	1.3	-0.2	0.8	2.4	5.4	1.1	3.0
% Chg Same Month Last Year	1.0	0.7	0.8	0.8	0.8	0.8	0.7	0.7	0.7	0.8	1.0	1.3	1.4
KY Mfg Employment (000s)	264.2	258.2	264.6	264.4	265.5	264.7	264.2	264.6	264.5	265.1	266.0	266.4	265.4
% Chg Previous Month SAAR	-1.4	-24.1	34.2	-0.9	5.1	-3.6	-2.2	1.8	-0.5	2.8	4.2	1.8	-4.4
% Chg Same Month Last Year	-0.1	-2.4	0.1	0.0	0.5	0.2	-0.2	0.0	0.0	0.3	0.7	0.7	0.5
KY Unemployment Rate (%)	5.4	5.3	5.1	4.9	4.8	4.7	4.7	5.0	5.2	5.3	5.6	5.7	5.7
KY Index of Initial UI Claims	102.5	101.7	102.0	102.5	103.0	102.4	103.1	102.8	104.0	103.4	103.7	102.7	103.5
% Chg Previous Month SAAR	0.9	-9.0	3.6	6.0	6.1	-6.8	8.4	-3.2	14.6	-7.3	3.8	-11.1	10.4
% Chg Same Month Last Year	3.3	1.9	1.7	2.4	1.9	1.1	1.7	1.0	2.6	1.2	1.5	0.2	1.0
KY Labor Intensity Index (1992=100)	105.1	104.8	105.1	105.1	105.1	105.3	105.3	105.7	105.6	105.7	105.8	105.7	105.6
% Chg Previous Month SAAR	0.2	-2.6	2.6	0.7	0.1	1.5	0.6	4.0	-1.0	1.2	0.9	-0.4	-1.7
% Chg Same Month Last Year	1.0	0.6	0.7	0.7	0.7	0.7	0.8	1.0	0.8	0.7	0.7	0.6	0.5
Louisville HWI (1992=100)	51.0	45.0	47.0	40.0	41.0	42.0	41.0	42.0	41.0	40.0	38.0	39.0	41.0
% Chg Previous Month SAAR	107.0	-77.7	68.5	-85.6	34.5	33.5	-25.1	33.5	-25.1	-25.6	-46.0	36.6	82.2
% Chg Same Month Last Year	4.1	-10.0	0.0	-45.2	-18.0	-14.3	-28.1	-16.0	-25.5	-28.6	-25.5	-18.8	-19.6
GF Total Tax Receipts (\$ mill)	633.7	519.1	513.4	655.0	563.6	587.9	709.7	659.6	500.8	568.6	808.4	525.6	738.7
% Chg Same Month Last Year	2.6	10.2	11.7	4.1	6.3	10.7	5.0	13.1	8.3	11.7	12.1	9.6	16.6
GF Sales & Use Receipts (\$ mill)	199.7	226.1	211.7	206.6	224.0	201.1	217.7	271.4	176.3	200.1	224.2	216.1	219.6
% Chg Same Month Last Year	4.2	8.6	7.3	3.1	5.0	1.0	4.7	8.8	7.5	8.2	3.1	5.1	9.9
GF Income Tax Receipts (\$ mill)	270.2	224.2	245.2	272.2	249.9	230.2	259.0	252.6	231.5	176.1	413.7	215.3	266.3
% Chg Same Month Last Year	0.8	8.5	9.4	-0.3	9.5	2.8	4.6	21.9	6.6	24.0	12.8	13.6	-1.4

**SELECTED U.S. ECONOMIC INDICATORS  
SEASONALLY ADJUSTED**

**2005**

**2004**

	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN
US Leading Index (1982=100)	134.5	135.0	135.1	135.2	135.2	136.0	136.9	136.8	137.1	136.2	136.5	136.5	138.1
% Chg Previous Month SAAR	4.6	4.6	0.9	0.9	0.0	7.3	8.2	-0.9	2.7	-7.6	2.7	0.0	15.0
% Chg Same Month Last Year	8.4	7.9	7.4	6.7	5.7	5.7	5.5	4.5	4.3	2.4	2.4	1.9	2.7
US Coincident Index (1992=100)	117.3	117.7	117.9	117.9	118.4	118.8	120.3	119.5	119.7	119.8	120.1	120.3	120.7
% Chg Previous Month SAAR	0.0	4.2	2.1	0.0	5.2	4.1	16.2	-7.7	2.0	1.0	3.0	2.0	4.1
% Chg Same Month Last Year	2.6	2.7	2.9	2.6	2.9	2.8	3.9	3.1	3.0	2.7	2.7	2.6	2.9
US Nonag Employment (Mil.)	131.5	131.6	131.8	131.9	132.2	132.3	132.4	132.6	132.9	133.0	133.3	133.4	133.6
% Chg Previous Month SAAR	1.0	0.8	1.7	1.2	2.6	1.2	1.4	1.1	2.7	1.1	2.7	1.1	1.5
% Chg Same Month Last Year	1.3	1.3	1.5	1.5	1.6	1.6	1.7	1.7	1.8	1.7	1.7	1.6	1.6
US Unemployment Rate (%)	5.6	5.5	5.4	5.4	5.5	5.4	5.4	5.2	5.4	5.2	5.2	5.1	5.0
US Initial Claims for UI (000s)	339.7	342.4	340.5	344.9	338.6	334.1	330.0	330.1	307.4	337.8	321.9	334.7	320.7
% Chg Previous Month SAAR	-12.5	10.0	-6.5	16.7	-19.8	-14.8	-13.8	0.4	-57.5	210.1	-43.9	59.7	-40.1
% Chg Same Month Last Year	-19.0	-14.4	-14.8	-13.4	-11.0	-8.9	-8.7	-7.0	-13.7	-1.9	-6.8	-2.6	-5.6
US Industrial Production Index	115.1	115.9	116.0	115.7	116.6	116.9	117.9	117.8	118.3	118.6	118.1	118.4	119.4
% Chg Previous Month SAAR	-4.2	8.8	1.1	-3.3	10.1	3.1	10.3	-1.6	5.8	3.0	-5.2	3.7	10.1
% Chg Same Month Last Year	4.7	4.8	5.0	3.9	4.6	3.8	4.4	4.0	3.4	3.9	2.9	2.5	3.7
US Personal Income Less Trans. (Bil. 92\$)	7,580.0	7,630.8	7,648.7	7,639.4	7,713.9	7,745.8	8,071.9	7,812.1	7,828.4	7,828.7	7,846.1	7,859.9	7,901.4
% Chg Previous Month SAAR	-1.1	8.3	2.9	-1.4	12.4	5.1	64.0	-32.5	2.5	0.0	2.7	2.1	6.5
% Chg Same Month Last Year	2.0	2.6	2.9	2.8	3.3	2.9	7.2	3.6	3.7	3.6	3.6	3.6	4.2
CPI, All Urban (1982-84=100)	189.3	189.2	189.3	189.6	190.7	191.2	191.2	191.3	192.0	193.2	194.2	194.1	194.1
% Chg Previous Month SAAR	3.2	-0.6	0.6	1.9	7.2	3.2	0.0	0.6	4.5	7.8	6.4	-0.6	0.0
% Chg Same Month Last Year	3.2	2.9	2.7	2.5	3.2	3.6	3.4	2.9	2.9	3.2	3.5	2.8	2.5
US Retail Sales (Bil. 84\$)	319.9	323.6	323.7	329.4	332.3	332.4	336.6	336.8	339.0	340.1	346.1	344.9	350.8
% Chg Previous Month SAAR	-15.5	14.7	0.4	23.5	10.8	0.4	16.2	0.7	8.1	3.9	23.4	-3.9	22.4
% Chg Same Month Last Year	6.2	6.5	4.8	7.6	8.6	7.3	8.9	8.0	8.0	6.0	9.1	6.3	9.7
Manufacturing & Trade Sales (000s)	910.2	916.0	920.7	921.1	922.9	924.6	936.9	940.2	933.1	932.9	940.6	945.2	*943.6
% Chg Previous Month SAAR	0.1	8.0	6.3	0.6	2.4	2.2	17.1	4.3	-8.8	-0.3	10.5	6.0	-2.1
% Chg Same Month Last Year	5.9	5.1	6.1	5.5	5.2	4.8	5.6	6.1	4.9	2.1	3.9	3.9	3.7
US Consumer Expectations (1966=100)	88.5	91.2	88.2	88.0	83.8	85.2	90.9	85.7	84.4	82.8	77.0	75.3	85.0
% Chg Previous Month AR	164.9	43.4	-33.1	-2.7	-44.4	22.0	117.5	-50.7	-16.8	-20.5	-58.2	-23.5	328.0
% Chg Same Month Last Year	2.4	9.0	6.9	8.9	1.0	-3.3	1.2	-14.4	-4.6	-6.8	-11.8	-7.7	-4.0
Ave. Prime Interest Rate (% NSA)	4	4.25	4.42	4.58	4.75	4.93	5.14	5.25	5.49	5.58	5.75	5.98	6.01
*ARIMA estimation													